Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Message Text

CONFIDENTIAL

PAGE 01 ABU DH 02444 01 OF 02 261341Z

42
ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 INT-05 COME-00

OES-03 FEAE-00 CIAE-00 INR-07 NSAE-00 /067 W
---------- 039955
R 261040Z NOV 75
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC 3606
INFO AMEMBASSY TEHRAN
AMEMBASSY NEW DELHI
AMEMBASSY DOHA
AMEMBASSY KUWAIT
AMEMBASSY JIDDA

C O N F I D E N T I A L SECTION 1 OF 2 ABU DHABI 2444

TEHRAN FOR PARSKY

E.O. 11652: GDS
TAGS: EGEN, PFOR, TC, US, BEXP
SUBJ: VISIT TO ABU DHABI OF SECRETARY PARSKY

1. SUMMARY: BRIEF, UNSCHEDULED VISIT BY ASST SECY PARSKY TO ABU DHABI PROVIDED OPPORTUNITY FOR USEFUL EXCHANGE WITH TOP UAE OFFICIALS, EXPLORING SPECIFIC AREAS IN WHICH USG MIGHT ASSIST UAE ECONOMIC DE-VELOPMENT. MINISTER PETROLEUM OTAIBA MENTIONED NUMBER OF PROJECTS THAT ABU DHABI HAD ESPECIAL INTEREST IN AT PRESENT: ON-SHORE GAS UTILIZATION; TWO JOINT INDUSTRIAL VENTURES BETWEEN GOVERNMENTS OF ABU DHABI AND INDIA, AND LARGE-SCALE UAE FEDERAL POWER AND DESALINATION PROJECT. END SUMMARY.

2. ASSISTANT SECRETARY OF TREASURY PARSKY DROPPED IN UN-EXPECTEDLY AT ABU DHABI FOR 18-HOUR VISIT EN ROUTE FROM RIYADH TO TEHRAN. PARSKY HAPPENED TO MEET MINISTER OF PETROLEUM OTAIBA IN RIYADH (LATTER WAS ATTENDING OAPEC MEETING THERE) AND WHEN PARSKY EXPLAINED DIFFICULTIES OF COMMERCIAL AIR CONNECTION BETWEEN RIYADH AND TEHRAN, OTAIBA OFFERED TO
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ABU DH 02444 01 OF 02 261341Z

PUT HIS CHARTERED LEARJET AT PARSKY'S DISPOSAL, INVITING

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

HIM AND HIS PARTY TO STOP IN ABU DHABI FOR DAY OF TALKS. PARSKY HAD VERY USEFUL MEETINGS WITH OTAIBA, FOREIGN MINISTER SUWAIDI AND CROWN PRINCE SHAIKH KHALIFA. TO EACH PARSKY EXPLAINED SORT OF THING USG WAS TRYING TO DO IN COUNTRIES WITH WHICH WE HAVE ESTABLISHED ECONOMIC COMMISSIONS AND EXPRESSED INTEREST IN EXPLORING WHETHER, ON MORE INFORMAL, PROJECT-BY-PROJECT BASIS, SIMILAR OPPORTUNITIES FOR COOPERATION COULD NOT BE FOUND HERE. TWO-HOUR CONVERSATION WITH OTAIBA PROVIDED OPPORTUNITY TO GET INTO CONSIDERABLE DETAIL ON CERTAIN PROJECTS IN WHICH UAEG PARTICULARLY INTERESTED. ALL THREE OFFICIALS RESPONDED ENTHUSIASTICALLY TO GENERAL THEME OF PARSKY'S PRESENTATION AND APPEARED EAGER TO FOLLOW UP IN IDENTIFYING SPECIFIC AREAS OF COOPERATION.

3. IN DESCRIBING EXPERIENCES TO DATE IN ECONOMIC COMMISSIONS IN OTHER COUNTRIES, PARSKY SAID THAT DEVELOPMENT PROBLEMS OF EACH COUNTRY ARE SUI GENERIS AND THIS WOULD OF COURSE ALSO APPLY TO UAE. HE THOUGHT KEY ISSUE FOR UAE WOULD BE HOW TO DIVERSIFY ITS ECONOMY WHICH WOULD BE ITS BEST INSURANCE OVER LONG-TERM. HE BELIEVED USG MIGHT BE ABLE TO HELP UAE IN THIS PROCESS. PARSKY IDENTIFIED THOSE GENERAL AREAS IN WHICH USG HAD FOUND ITSELF ABLE TO BE OF ASSISTANCE ELSEWHERE AND WHICH HE THOUGHT MIGHT ALSO APPLY IN UAE: FIRST, IN STIMULATING AND ORGANIZING US PRIVATE SECTOR INTEREST IN SPECIFIC PROJECTS; SECONDLY IN PROVIDING TECHNICAL ASSISTANCE; THIRDLY, FACILITATING ACQUISITION OF ANY URGENTLY NEEDED EQUIPMENT OR SERVICES WHICH MIGHT OTHERWISE BE DIFFICULT OR TIME-CONSUMING TO OBTAIN. PARSKY CITED AS EXAMPLE OF LAST CATEGORY RECENT USG ASSISTANCE IN EQUIPING SAUDI ARABIA WITH ADVANCED-TECHNOLOGY ELECTRICAL EQUIPMENT. PARSKY SUGGESTED TO OTAIBA THAT IF HE COULD LIST SOME OF SPECIFIC PROJECTS THAT UAEG ATTACHED HIGH PRIORITY TO AT PRESENT IT WOULD ASSIST HIM IN EXPLORING WHETHER USG MIGHT BE OF ASSISTANCE. PARSKY ADDED THAT HE HOPED TO RETURN TO ABU DHABI EARLY NEXT YEAR TO DISCUSS ADDITIONAL AREA OF COOPERATION WHICH WAS POSSIBILITY OF ABU DHABI INVESTMENT IN ENERGY DEVELOPMENT PROJECTS IN THE US, BUT ON THIS OCCASION HE THOUGHT TWO SIDES COULD BEST CONCENTRATE ON AREAS HE HAD EARLIER MENTIONED.

CONFIDENTIAL

CONFIDENTIAL

4. OTAIBA BEGAN BY SAYING HE THOUGHT THIS WAS EXCELLENT APPROACH AND HE LOOKED FORWARD TO WORKING WITH US OFFICIALS IN IDENTIFYING COOPERATIVE PROJECTS. HE SAID MOST IMPORTANT PROCCUPATION AT PRESENT WAS DEVELOPMENT OF ABU DHABI ON-SHORE GAS RESOURCES. OTAIBA BRIEFED PARSKY ON STATUS OF NEGOTIATIONS BETWEEN ADPC INDUSTRY PARTNERS AND GOVERNMENT, EXPLAINING THAT MOST ISSUES HAVE BEEN RESOLVED EXCEPT FOR QUESTION OF WHETHER IT SHOULD BE COMPANIES THEMSELVES

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

OR GOVERNMENT THAT SHOULD GUARANTEE BORROWED PORTION OF IN-
DUSTRY'S 40 PER CENT SHARE OF CAPITAL INVESTMENT. PROBLEM
CENTERED ON QUESTION WHETHER IT REASONABLE FOR COMPANIES
TO ASSUME RISKS WHICH, IN THEIR OPINION, ARE TO GREAT EXTENT
POLITICAL IN NATURE. NEGOTIATIONS FURTHER COMPLICATED BY
FACT THAT COMPANIES HAD SOMEWHAT DIFFERENT VIEWS AMONG THEM-
SELVES ABOUT PROJECT. AMBASSADOR SUGGESTED THAT PERHAPS
MOST USEFUL SERVICE PARSKY COULD PROVIDE AT THIS STAGE
WOULD BE TO DISCUSS PROJECT AT HIGH LEVEL WITH AMERICAN
PARTNERS EXXON AND MOBIL, AND TO SEE WHETHER THERE WAS
ANY WAY USG MIGHT EASE COMPANY/BANKER POLITICAL RISK
PROBLEM. PARSKY UNDERTOOK TO DO THIS, REQUESTING
THAT HE FIRST BE PROVIDED WITH WRITTEN SUMMARY TO GIVE HIM
AS PRECISE IDEA AS POSSIBLE OF WHERE NEGOTIATIONS STAND.
EMBASSY IN COOPERATION WITH OTAIBA'S OFFICE WILL PREPARE
THIS.

5. OTAIBA SAID HE WONDERED WHETHER USG MIGHT ALSO BE OF
ASSISTANCE ON TWO JOINT PROJECTS WHICH ABU DHABI DISCUSSING
WITH INDIA. PLANS FOR THESE WERE PUSHED FORWARD DURING
INDIAN FOREIGN MINISTER'S VISIT TO ABU DHABI LAST MONTH. IN-
DEPENDENT FEASIBILITY STUDIES HAD JUDGED BOTH PROJECTS ECONOMI-
CALLY VIABLE. BOTH WOULD BE BUILT IN ABU DHABI EMIRATE.
FIRST WAS STEEL MILL WHICH WOULD PRODUCE 800,000 TONS SPONGE
STEEL ANNUALLY; SECOND WAS FERTILIZER PLANT TO PRODUCE ONE MIL-
LION TONS OF UREA PER ANNUM. BOTH PROJECTS HAD BEEN DISCUSSED
ON 60 (ABU DHABI) 40 (INDIA) BASIS. BUT INDIANS NOW WERE
FINDING IT DIFFICULT TO COME UP WITH THEIR SHARE OF CAPITAL
INPUT AND WANTED TO REDUCE THEIR EQUITY SHARE. OTAIBA WON-
DERED IF IT MIGHT NOT BE POSSIBLE TO FIND US FIRMS--PERHAPS ONES
WHO COULD PROVIDE EQUIPMENT OR TECHNICAL OR MANAGEMENT
EXPERTISE--WHICH MIGHT BE INTERESTED IN PARTICIPATION IN THESE
PROJECTS SO THAT INDIAN EQUITY SHARE COULD BE REDUCED.
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 ABU DH 02444 01 OF 02 261341Z

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 ABU DH 02444 02 OF 02 261658Z

42
ACTION NEA-10

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 INT-05 COME-00

OES-03 FEAE-00 CIAE-00 INR-07 NSAE-00 /067 W
---------- 043884
R 261040Z NOV 75
FM AMEMBASSY ABU DHABI
TO SECSTATE WASHDC 3607
INFO AMEMBASSY TEHRAN
AMEMBASSY NEW DELHI
AMEMBASSY DOHA
AMEMBASSY KUWAIT
AMEMBASSY JIDDA

C O N F I D E N T I A L SECTION 2 OF 2 ABU DHABI 2444

TEHRAN FOR PARSKY

6. SECOND PROBLEM INVOLVED MARKETING PRODUCT OF STEEL MILL. THIS IS NOT PROBLEM WITH FERTILIZER BECAUSE CONCEPT IS THAT INDIA WOULD TAKE ENTIRE FERTILIZER OUTPUT IN RETURN FOR PROVIDING ABU DHABI WITH IRON ORE FOR STEEL MILL.
INDIANS NOW ALSO WANTED TO TAKE FULL PRODUCTION OF SPONGE STEEL BUT HAD OFFERED TO PAY FOR THIS IN RUPEES WHICH ABU DHABI DID NOT WANT. COULD USG OR US FIRMS ASSIST IN MARKETING SPONGE STEEL PRODUCT FOR HARD CURRENCY RETURN?

7. PARSKY SAID HE WOULD BE HAPPY TO INVESTIGATE THESE QUESTIONS AND EXPRESSED PARTICULAR INTEREST IN PROJECTS BECAUSE OF OUR OWN JOINT COMMISSION IN INDIA. HE ASKED FOR, AND OTAIBA PROMISED TO PROVIDE, COPIES OF STUDIES ON THESE PROJECTS.

8. AMBASSADOR SAID HE WOULD ALSO LIKE TO SEE ADDED TO OTAIBA'S LIST LARGE-SCALE FEDERAL POWER/DESALTING PROJECT WHICH HE UNDERSTOOD WAS STILL IN CONCEPTUAL STAGE BUT IF CARRIED OUT WOULD BE OPPORTUNITY TO APPLY LATEST TECHNOLOGY AND TO STIMU-
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 ABU DH 02444 02 OF 02 261658Z

LATE INTEREST IN WIDE RANGE OF US FIRMS IN BIDDING ON VARIOUS PHASES OF PROJECT. OTAIBA SAID HE WAS UNCERTAIN ABOUT STATUS OF PROJECT BUT AGREED IT WOULD ALSO BE APPROPRIATE AREA OF COOPERATIONS.

9. DISCUSSION ENSUED ABOUT BEST MEANS TO PURSUE THESE AND OTHER POSEABLE PROJECTS IN FUTURE. OTAIBA SUGGESTED ESTABLISH-MENT OF JOINT US-ABU DHABI COMMITTEE WHICH WOULD MEET PERIODICALLY EITHER HERE OR IN WASHINGTON. PARSKY AND AMBASSADOR REACTED

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

BEARISHLY TO THIS PROPOSAL, SAYING THEY THOUGHT PROJECTS
AND PROPOSALS COULD BE PROMPTLY AND THOROUGHLY INVESTI-
GATED THROUGH EXISTING INFORMAL MECHANISM. IMPORTANT
THING, SAID PARSKY, WAS THAT UAEG COULD BE ASSURED IT
HAD CONCERNED PERSON IN WASHINGTON WHO WOULD ACT AS
FOCAL POINT TO EXPLORE THESE OPPORTUNITIES ENERGETICALLY.
HE WAS REASONABLY CERTAIN THAT REQUISITE COORDINATION AMONG
US AGENCIES COULD BE ACCOMPLISYED WITHOUT COMMITTEEE.
IF AT LATER STAGE NEED FOR MORE FORMAL ARRANGE-
MENT SUCH AS JOINT COMMITTEE MAKES ITSELF FELT, IT CAN ALWAYS
BE CREATED. UAE OFFICIALS SEEMED AMENABLE TO THIS VIEW.
SHAIKH KHALIFA SAID THAT IN HIS EXPERIENCE COMMITTEES
CREATED MORE PROBLEMS THAN THEY SOLVED, BUT HE WAS SURE
EXPERIENCE IN US MUST BE DIFFERENT. WE ASSURED HIM IT WAS
JUST AS BAD IF NOT WORSE IN WASHINGTON.

10. COMMENT: PARSKY VISIT SERVED AS VERY USEFUL AND TIMELY
CATALYST TO GET UAE OFFICIALS THINKING IN PRACTICAL TERMS ABOUT
US ROLE IN ITS DEVELOPMENT PLANS. WE ARE DELIGHTED THAT
PARSKY INTENDS TO RETURN TO ABU DHABI FOR LONGER VISIT EARLY
NEXT YEAR. WE WILL FORWARD TO HIM PAPERS HE HAS REQUESTED
ON PROJECTS DISCUSSED DURING HIS VISIT, AND WILL
ALSO TRY TO GET UP-TO-DATE AND COMPLETE SUMMARY OF PROJECTS
BEING PLANNED WITHIN OIL MINISTRY AND ADNOC PURVIEW. WE WILL
ALSO PURSUE WITH GOVERNMENT HERE BEST PROCEDURE TO SET
UP WHEREBY EMBASSY CAN BE MORE PROMPTLY AND FULLY IN-
FORMED ABOUT FULL RANGE OF BOTH ABU DHABI AND FEDERAL
DEVELOPMENT PLANS AS THEY MATURE. THIS WILL CONTINUE TO BE
FRUSTRATING BUSINESS BECAUSE INADEQUACY OF PLANNING APPARATUS
HERE IS COMPOUNDED BY CONTINUING CONFUSION BETWEEN FEDERAL
AND EMIRATE GOVERNMENTS IN RESPONSIBILITY FOR DEVELOPMENT
PLANNING. WHILE WE WOULD PREFER TO WORK WITHOUT JOINT COM-
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 ABU DH 02444 02 OF 02 261658Z

MITEE, WE SHOULD NOT BE DOGMATICALLY NEGATIVE ABOUT SIMPLE
MECHANISM ALONG THESE LINES IF, IN LIGHT OF EXPERIENCE,
IT PROVES TO BE BEST WAY TO FOCUS ATTENTION OF UAE OFFICIALS ON
PROSPECTS FOR COOPERATION.
STERNER

CONFIDENTIAL

NNN

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT, PETROLEUM, VISITS, PROGRAMS (PROJECTS), DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 26 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ABUDH02444
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D750412-0250
From: ABU DHABI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975119/aaaaahiw.tel
Line Count: 266
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 06 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 AUG 2003 by CunninFX>; APPROVED <26 NOV 2003 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: VISIT TO ABU DHABI OF SECRETARY PARSKY
TAGS: EGEN, PFOR, BEXP, OVIP, TC, US, (PARSKY, GERALD)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006